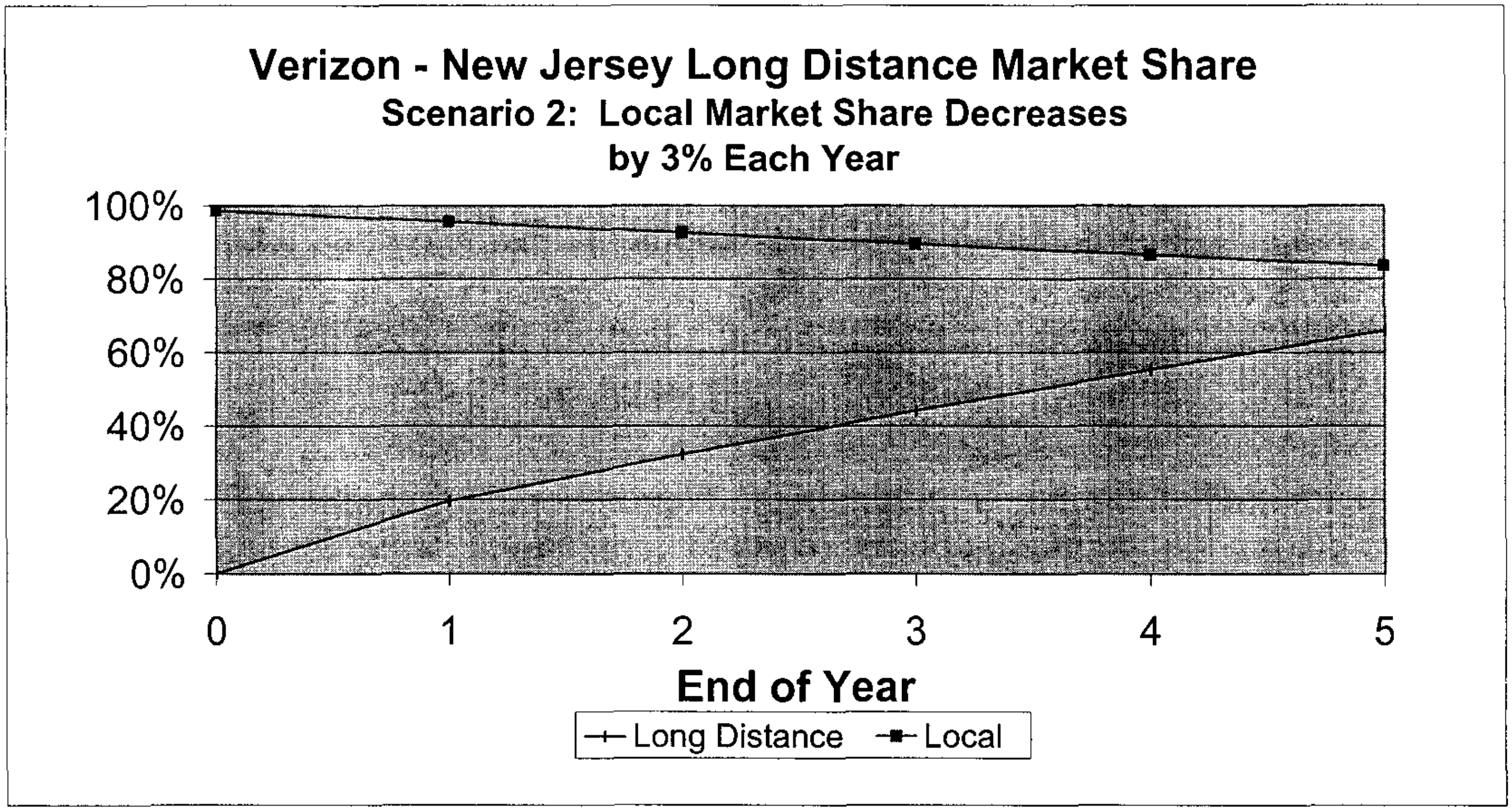
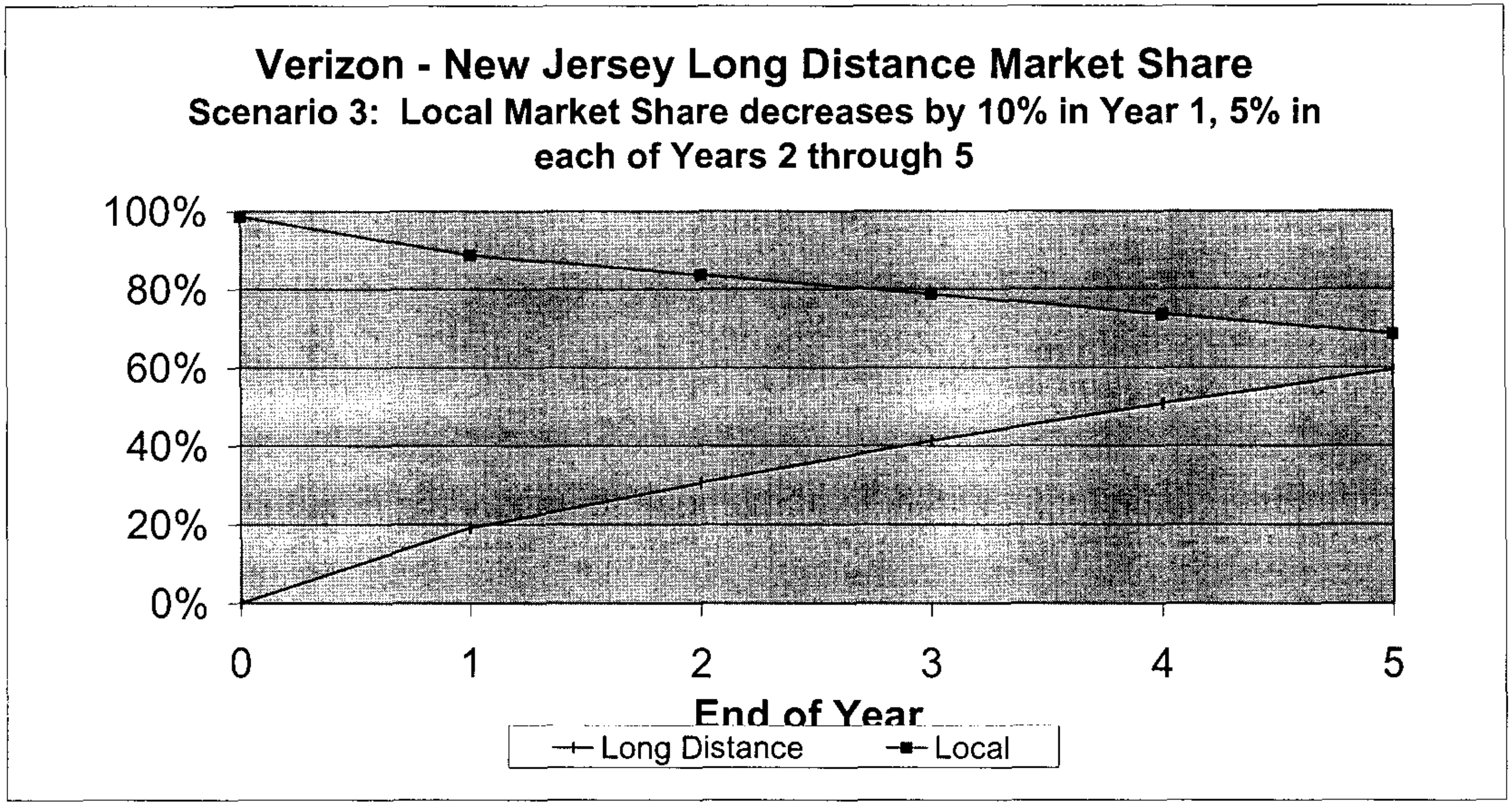
Scenario 1 Inputs : Local Market Share Constant at 98.64%			
	Data Value	Source	Line
Verizon - New Jersey residential lines, Year 1	4,342,831	Verizon - New Jersey residential access lines, (2000 ARMIS Report 43-08, Table III)	a
Competitor residential lines, Year 1	59,680	Competitor residential lines (Declaration of Dennis M. Bone, Attachment 101).	b
Total residential lines in Verizon - New Jersey territory - Year 1	4,402,511		c = a + b
Verizon - New Jersey residential market share in Verizon - New Jersey territory, Year 1	98.64%		d = a / c
Annual Growth in Verizon - New Jersey residential market share in Verizon - New Jersey territory	0.00%		e
Annual growth in residential lines in Verizon - New Jersey territory	3.86%	Average annual growth in residential access lines in NJ (1996-2000 ARMIS Report 43-08: Table III)	f
Percentage of households with additional lines	28.90%	FCC, Industry Analysis Division, Trends in Telephone Service, August 2001, Table 8.4.	g
Local residential inward movement	17%	U.S Census Bureau, American Housing Survey for the United States in 1999, Table 2.9.	h
Percentage of inward residential customer orders where customers accept ILEC long distance service on the initial contact	82.35%	Based upon Verizon - New York's end of year long distance market share (20%).	i = (.2-(j*k))/h
Primary Interexchange Carrier (PIC) change rate	30%	News Release, J.D. Powers and Associates Reports: Sprint and Snet Top Performers in Residential Long Distance Customer Satisfaction, July 29, 1999.	j
Percentage of PIC change going to ILEC, Year 1	20%	Conservative estimate for year 1. In future years, the ILEC's share of PIC changes is its share of Verizon - New Jersey's share of the long distance market.	k


Verizon - New Jersey Long Distance Market Share
Scenario 2: Local Market Share Decreases
by 3% Each Year
100%
80%
60%
40%
20%
0%
0
1
2
3
4
5
End of Year
Long Distance
Local

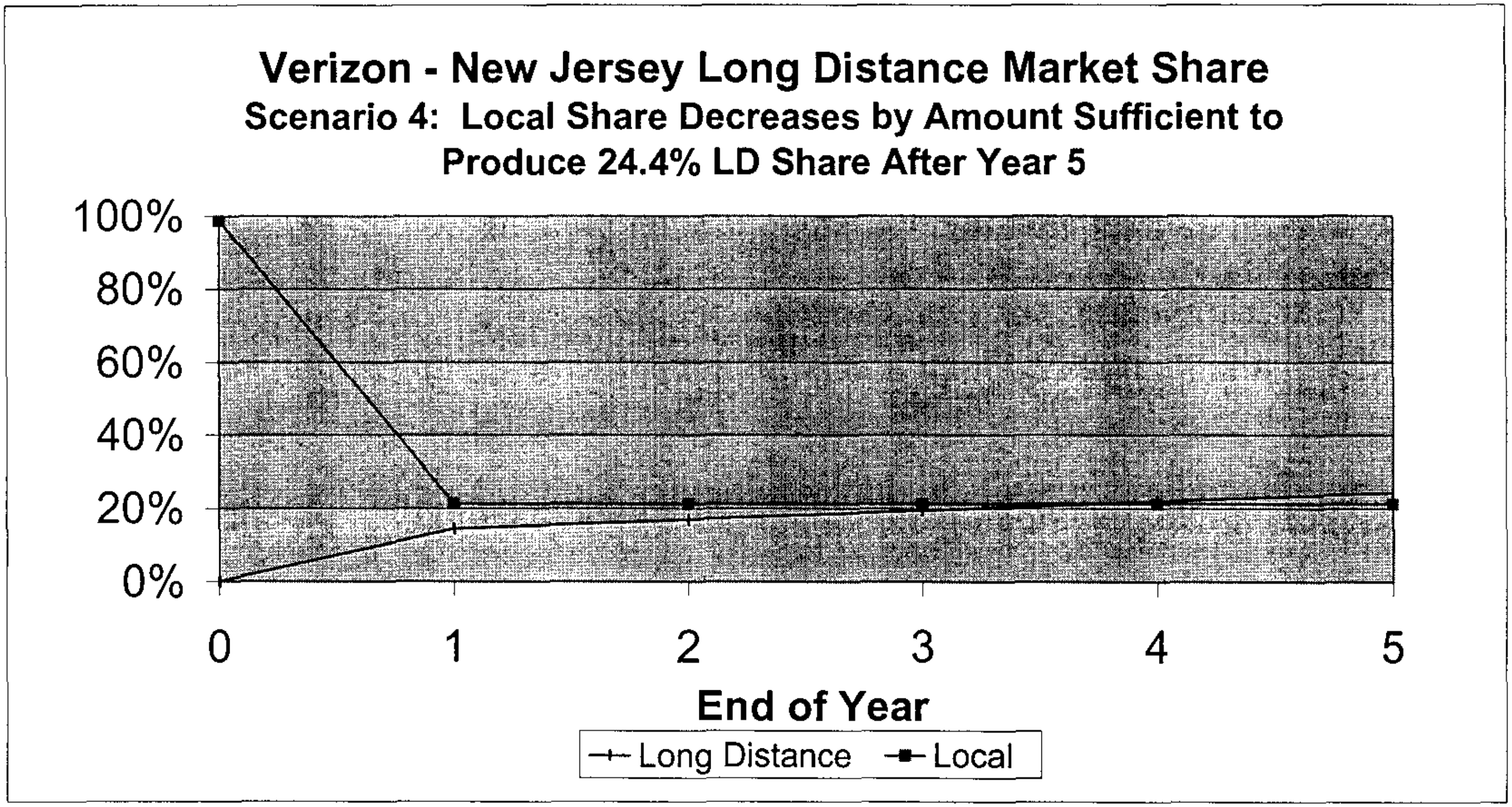
Scenario 2 Results : Local Market Share Decreases by 3% Each Year

	Year 1	Year 2	Year 3	Year 4	Year 5	Line
Verizon - New Jersey local market share in Verizon - New Jersey territory, BOY	98.64%	95.64%	92.64%	89.64%	86.64%	$l = z^{(t-1)}$
Verizon - New Jersey long distance market share in Verizon - New Jersey territory, BOY	0%	19.60%	32.27%	44.19%	55.38%	$m = y^{(t-1)}$
Residential lines in Verizon - New Jersey territory (including competitive)	4,402,511	4,572,448	4,748,944	4,932,254	5,122,639	$n = n^{(t-1)}*f$
Verizon - New Jersey residential lines	4,342,831	4,373,291	4,399,632	4,421,490	4,438,480	$o = l*n$
Residential households in Verizon - New Jersey territory (including competitive)	3,415,447	3,547,283	3,684,208	3,826,419	3,974,118	$p = n/(1+g)$
Verizon - New Jersey residential households	3,369,147	3,392,778	3,413,213	3,430,170	3,443,351	$q = o/(1+g)$
Verizon - New Jersey inward residential customer orders, mid year	564,046	567,727	570,851	573,372	575,236	$r = h*((l+z)/2)*p$
Inward residential customer orders where customers accept ILEC long distance service on the initial contact.	464,508	467,540	470,113	472,188	473,724	$s = i*r$
"PIC change" residential customers switching to ILEC	204,927	208,583	356,674	507,282	660,281	$t = j*m*p$
Verizon - New Jersey long distance customers	669,435	676,122	826,787	979,470	1,134,004	$u = s+t$
Verizon - New Jersey long distance customers net of current year PIC changes	669,435	475,292	483,369	491,042	498,263	$v=u-(w^{(t-1)}*j)$
Verizon - New Jersey long distance customers (cumulative)	669,435	1,144,727	1,628,096	2,119,137	2,617,401	$w=v+w^{(t-1)}$
Verizon - New Jersey residential access lines with Verizon - New Jersey long distance	862,902	1,475,553	2,098,615	2,731,568	3,373,829	$x=w*(1+g) + x^{(t-1)}$
Verizon - New Jersey long distance market share in Verizon - New Jersey territory, EOY	**19.60%**	**32.27%**	**44.19%**	**55.38%**	**65.86%**	$y = x/n$
Verizon - New Jersey local market share in Verizon - New Jersey territory, EOY	**95.64%**	**92.64%**	**89.64%**	**86.64%**	**83.64%**	$z = l + e$

Scenario 2 Inputs : Local Market Share Decreases by 3% Each Year			
	Data Value	Source	Line
Verizon - New Jersey residential lines, Year 1	4,342,831	Verizon - New Jersey residential access lines, (2000 ARMIS Report 43-08, Table III)	a
Competitor residential lines, Year 1	59,680	Competitor residential lines (Declaration of Dennis M. Bone, Attachment 101).	b
Total residential lines in Verizon - New Jersey territory - Year 1	4,402,511		c = a + b
Verizon - New Jersey residential market share in Verizon - New Jersey territory, Year 1	98.64%		d = a / c
Annual Growth in Verizon - New Jersey residential market share in Verizon - New Jersey territory	**-3.00%**		e
Annual growth in residential lines in Verizon - New Jersey territory	3.86%	Average annual growth in residential access lines in NJ (1996-2000 ARMIS Report 43-08: Table III)	f
Percentage of households with additional lines	28.90%	FCC, Industry Analysis Division, Trends in Telephone Service, August 2001, Table 8.4.	g
Local residential inward movement	17%	U.S Census Bureau, American Housing Survey for the United States in 1999, Table 2.9.	h
Percentage of inward residential customer orders where customers accept ILEC long distance service on the initial contact	82.35%	Based upon Verizon - New York's end of year long distance market share (20%).	i = (.2-(j*k))/h
Primary Interexchange Carrier (PIC) change rate	30%	News Release, J.D. Powers and Associates Reports: Sprint and Snet Top Performers in Residential Long Distance Customer Satisfaction, July 29, 1999.	j
Percentage of PIC change going to ILEC, Year 1	20%	Conservative estimate for year 1. In future years, the ILEC's share of PIC changes is its share of Verizon - New Jersey's share of the long distance market.	k


Verizon - New Jersey Long Distance Market Share
Scenario 3: Local Market Share decreases by 10% in Year 1, 5% in each of Years 2 through 5
100%
80%
60%
40%
20%
0%
0
1
2
3
4
5
End of Year
Long Distance
Local

Scenario 3 Results : Local Market Share Decreases by 10% in Year 1, 5% in each of Years 2 through 5						
	Year 1	Year 2	Year 3	Year 4	Year 5	Line
Verizon - New Jersey local market share in Verizon - New Jersey territory, BOY	98.64%	88.64%	83.64%	78.64%	73.64%	$l = z^{(t-1)}$
Verizon - New Jersey long distance market share in Verizon - New Jersey territory, BOY	0%	19.11%	30.67%	41.24%	50.82%	$m = y^{(t-1)}$
Residential lines in Verizon - New Jersey territory (including competitive)	4,402,511	4,572,448	4,748,944	4,932,254	5,122,639	$n = n^{(t-1)} * f$
Verizon - New Jersey residential lines	4,342,831	4,053,219	3,972,227	3,878,942	3,772,537	$o = l * n$
Residential households in Verizon - New Jersey territory (including competitive)	3,415,447	3,547,283	3,684,208	3,826,419	3,974,118	$p = n/(1+g)$
Verizon - New Jersey residential households	3,369,147	3,144,468	3,081,634	3,009,264	2,926,716	$q = o/(1+g)$
Verizon - New Jersey inward residential customer orders, mid year	543,724	519,484	508,220	495,313	480,652	$r = h * ((l+z)/2) * p$
Inward residential customer orders where customers accept ILEC long distance service on the initial contact.	447,773	427,810	418,534	407,905	395,831	$s = i * r$
"PIC change" residential customers switching to ILEC	204,927	203,368	339,020	473,353	605,929	$t = j * m * p$
Verizon - New Jersey long distance customers	652,699	631,178	757,554	881,257	1,001,760	$u = s+t$
Verizon - New Jersey long distance customers net of current year PIC changes	652,699	435,368	431,134	425,497	418,350	$v = u - (w^{(t-1)} * j)$
Verizon - New Jersey long distance customers (cumulative)	652,699	1,088,068	1,519,202	1,944,698	2,363,049	$w = v + w^{(t-1)}$
Verizon - New Jersey residential access lines with Verizon - New Jersey long distance	841,329	1,402,519	1,958,251	2,506,716	3,045,970	$x = w * (1+g) + x^{(t-1)}$
Verizon - New Jersey long distance market share in Verizon - New Jersey territory, EOY	**19.11%**	**30.67%**	**41.24%**	**50.82%**	**59.46%**	$y = x/n$
Verizon - New Jersey local market share in Verizon territory, EOY	**88.64%**	**83.64%**	**78.64%**	**73.64%**	**68.64%**	$z = l + e$



Verizon - New Jersey Long Distance Market Share
Scenario 4: Local Share Decreases by Amount Sufficient to Produce 24.4% LD Share After Year 5
100%
80%
60%
40%
20%
0%
0
1
2
3
4
5
End of Year
Long Distance
Local

9

THE RECORD 11/6/01

BPU opens hearings on Verizon expansion

Request for long-distance service at stake

By MARTHA McKAY
Staff Writer

Local phone giant Verizon should not be allowed to sell long distance in New Jersey, at least not yet.

That was the message delivered by a chorus of Verizon critics to state regulators Monday during the first of eight days of scheduled hearings.

The three commissioners of the Board of Public Utilities also heard Verizon's argument that it should be allowed into the state's $4.5 billion long-distance market.

The regulators must examine that argument, and those of Verizon's rivals, and make a recommendation to the Federal Communications Commission, which will rule on the matter.

Approving the company's request would give New Jersey consumers one more long-distance company to choose from. But there is more at stake.

The regulators' review and decision are part of an overall plan begun five years ago to unravel the local telephone monopoly enjoyed by Verizon, which owns the copper wires leading to the majority of New Jersey's homes and small businesses.

Under the rules of the 1996 federal telecommunications act, if Verizon proves its network of copper wires is available to competitors who wish to lease parts of it and sell local phone service, Verizon will be allowed into New Jersey's long-distance market.

Rivals argued Monday that Verizon hasn't opened its networks to competitors. Of the state's 4.3 million residential phone lines in New Jersey, only about 60,000, or 1.4 percent, are served by companies other than Verizon, said AT&T attorney Frederick Pappalardo.

"The state of local competition is

See BPU Page L-8

BPU: Hearings begin on Verizon's bid

From Page L-6

not good — it's dismal," he told the BPU.

Carl Giesy, Worldcom's regional director of public policy, said "Verizon must open its markets to irrevocable local competition before it is permitted to get into the long-distance market."

And Blossom Peretz, the state's Ratepayer Advocate, said she would welcome Verizon into the long-distance market, but not now.

"Unfortunately, the time is not ripe now because competition does not yet exist in the local telephone market. Consumers do not have affordable choice — in fact, they do not have any choice for their basic local telephone service," she said.

After the opening statements outside the meeting, Verizon New Jersey President Dennis Bone argued that under the FCC rules, his company is not obliged to show that rivals have gained market share, rather that Verizon has established procedures that allow rivals to enter the local market if they wish.

Market share "is not the test," said Bone, adding that the FCC law requires Verizon to demonstrate that "there is nothing that stands in the way of market competition."

For example, tests done by an independent third party to determine if Verizon is able to connect its computers to rivals' systems to transfer customer information have been flawless, Verizon's general counsel Bruce D. Cohen said.

The test results will "confirm what our witnesses will be discussing over the next several days: Verizon New Jersey has gone to great lengths and expended enormous sums to make its network available to its competitors in the manner prescribed by law."

But others countered that the tests are not a substitute for real operations and that regulators should Keep Verizon out of the long-distance market until all the kinks are worked out.

In addition, Verizon critics urged regulators to take into account the residential market share Verizon enjoys.

Peretz said the BPU must consider whether giving Verizon a thumbs-up to enter the long-distance market is in "the public interest." No competition, and no market share by rivals, is not in the public interest, Peretz said.

She and others argue that if Verizon is allowed to market long distance to all of its local customers before other companies get into the market, it would create an unregulated monopoly.

Verizon has argued that rival companies can enter the market whenever they wish. And Bone said Monday that when Verizon was granted permission to sell long distance in New York, rival companies jumped into the local market, grabbing market share and saving consumers money.

The Verizon competitors say there's another key issue keeping them on the sideline — the wholesale rates, set by the BPU, that Verizon charges rivals to lease parts of its local phone network. Verizon says the current rates are fair; the rivals argue the rates are too high, giving competitors no financial incentive to enter the local market.

The BPU is expected to take up the issue of the wholesale rates Thursday.

Staff Writer Martha McKay's e-mail address is mckay@northjersey.com

Article 13 of 200
MONEY
COVER STORY
As dot-coms and telecoms crash, the fallout lands on Main Street
Andrew Backover

06/25/2001
USA Today
FINAL
Page B.01

Tom Rissi was thrilled to move into his first home, a new $150,000 townhouse in Brighton, Colo., in March.

But when he moved in, something was missing: a phone line. The local phone company, Tess Communications, was about to go bankrupt, leaving dozens of homes in the new subdivision and more than 100 homes statewide without phone service.

Qwest Communications is serving stranded customers, but it could be months before everyone is hooked up.

Rissi, meanwhile, piles up charges on his cellphone and pays for a $9.95-a-month Internet account he cannot use. "We've fallen through the cracks," says Rissi, 36, a maintenance supervisor for a property firm. "I feel like selling my home. But how do I . . . without a phone?"

The crack Rissi has fallen into has claimed tens of thousands of victims. As hundreds of telecom and Internet companies fold or go bankrupt -- victims of their own overexuberant expansion -- the economic fallout is spreading from the stock market to the corner store.

Banks, bondholders and big firms, such as telecommunications - equipment maker Nortel Networks, are on the hook for billions. But people like Rissi and mom-and-pop creditors are losing big, too. They'll be lucky to squeeze pennies on the dollar out of the bankruptcy proceedings, and some are coping by cutting jobs, spreading the pain to the USA's kitchen tables. "It runs through the economy," says Jack Partain, bankruptcy partner at Fulbright & Jaworski in San Antonio. "It ranges from the mom and pop with the copy shop . . . to the advertising firm owed a large debt. All the owners and employees have homes, cars and mortgages."

The aftermath is worsened by the fact that expectations were so high. Firms were so caught up in the Internet euphoria of the past few years that large and small ones extended huge amounts of credit to technology players. "There was an impression that these were mega-companies with tons of money . . . and there was no risk. They were awash in (venture capital) money and (people thought) the boom was never going to end," says Roger Schwartz, bankruptcy attorney with Sidley Austin Brown & Wood in New York.

The boom did end. The telecom industry is buried under more than $600 billion in debt -- about 20% of which could be in trouble, analysts say. Some economic experts say the telecom implosion could turn into the biggest one-industry meltdown since the savings-and- loan debacle of the early 1990s. The troubles in tech and telecom might not take down the economy, but they could slow a recovery, economists say.

Bankruptcies prove point

One need look no further than bankruptcy courts for evidence. Nearly 50% of the 47 public telecom companies that filed for bankruptcy since 1990 did so in the past 18 months, BankruptcyData.com says. The past year has produced seven of the 10 largest public telecom bankruptcies since 1990. Hundreds of smaller firms have gone bankrupt or closed. At the same time, at least 493 Internet companies have folded in the past 18 months, says Webmergers.com.

Once companies get to bankruptcy court, lenders with secured loans, such as banks, generally have first dibs. Beneath them are priority creditors, such as taxing authorities and employees with unpaid wages. Then come creditors, such as office suppliers and florists. Shareholders are at the bottom.

Tony Martin of Dallas knows he is low on the chain. He says he never received a $250 rebate for a computer modem, as promised, when he signed up last June for high-speed Internet service from NorthPoint Communications Group. About 100,000 customers were cut off when NorthPoint folded in March, less than 3 months after it filed for Chapter 11 bankruptcy protection. Martin, who had switched to a different provider by then, doesn't "expect a dime." He filed a claim against NorthPoint to make a point.

"If everybody does nothing and says, 'Oh well, I just got screwed again,' we'll continue to be taken advantage of," Martin, 32, says. "People like me waiting for $200 to $300 apiece, that adds up."

Telecom and Internet bankruptcies offer slim pickings compared with other kinds of companies. Electronics makers, for example, might get close to 100% of the value of TVs and stereos, bankruptcy experts say. Firms with real estate assets also tend to provide more to creditors, depending on the market.

With dot-com and telecom firms, the prospects are dimmer. Internet companies have little to liquidate beyond office equipment and "intellectual property" that anchored money-losing business plans. Telecom firms have phone lines, real estate and networks. But buyers can command fire-sale prices because of a glut of equipment from a slew of bankruptcies . Modems that cost hundreds of dollars new now fetch less than $20 on online auction site eBay. And the slowing economy has pared the list of potential buyers.

In fact, creditors are finding that entire companies are almost worthless. GovWorks, a start-up that helped governments accept online payments from citizens, had assets of $8 million and debts of $40 million when it filed for bankruptcy in January. Its attorney, Walter Benzija, says the company, now called Publicdatasystems, was lucky to sell its transaction-processing business for $1.5 million.

Texas-based ConnectSouth Communications, a high-speed Internet seller, filed for bankruptcy in March with $35 million in debts and less than $10 million in assets. It raised less than $2 million selling office equipment. It will try to sell real estate leases. But attorney Eric Taube says even big creditors, such as banks, will "take it in the shorts." Smaller players have less hope. "There's nothing there," Taube says.

No question, big creditors are feeling the pain.

Nortel Networks is taking a $300 million charge for bad debts to telecom customers and asset write-downs in the second quarter. It will have cut 30,000 jobs by year's end. Lucent Technologies reported a $671 million, or 55%, increase in fiscal second-quarter sales costs, mostly because of bad debts from bankrupt Winstar Communications. The tech and telecom industries are so connected, they've poisoned each other. One of GovWorks' creditors was telecom start-up Teligent, which is also seeking Chapter 11 protection and cut 800 jobs in May. Teligent is attempting to reorganize and is still serving customers.

Blindsided by troubles

In addition to the firms that sold tech players high-tech nuts and bolts, there are thousands of suffering creditors who don't work with bits and bytes.

Houston ad agency The McInnerney/Millspaugh Group was blindsided by troubles at ConnectSouth, which hired the firm to buy $945,000 in ads with 81 newspapers and radio stations in 33 markets. "ConnectSouth had a credit report that was glowing," says Bob McInnerney, president of the ad agency.

But, he says, ConnectSouth didn't pay in December. Not only did the agency lose $140,000 in commissions, but some of the media outlets are threatening to sue the ad agency while others are hiring collection agencies. Meanwhile, McInnerney's company no longer does business with telecom firms unless they can pay cash. And he's had to cut two of the firm's six employees because of lost revenue.

"Our life has been a nightmare for the past 6 months," McInnerney says. "Our good name, our good credit, has been damaged. One single lawsuit will put us under."

Rock Lake, which operates four Bear Rock Cafe stores in North Carolina, has given up on $1,000 in bills from KOZ , a North Carolina firm that helped create online communities. Bear Rock catered about 12 to 15 lunches for KOZ, now bankrupt, last year. "That additional $1,000 could have paid some bills," says Rock Lake executive Charlie Galloway. With a $50,000 monthly payroll and banks to pay, Galloway says he might have to hold off on paying some bills.

Firms that were doing business with a lot of online companies are especially squeezed. Online marketer Be Free lost more than 70 Internet-related customers during the first 3 months of this year. The lost customers account for about 9% of Be Free's $5.4 million in first-quarter sales. A few months ago, Boston-based Be Free cut 20% of its 300 employees.

"A lot of these dot-coms were totally irresponsible in how they spent their money," Be Free CEO Gordon Hoffstein says. "They used money like rocket fuel." Like a lot of burned suppliers, Hoffstein says he's sending his sales force after more established companies.

Office refreshment seller Classic Coffee Systems of Valley Stream, N.Y., says it is owed about $10,000 from failed tech companies. "We have been getting burned considerably with the dot-com craze," says CEO John Malizio. "Everyone just got caught up in: 'This is great. Look how much business we are getting.' "

The fallout is magnified in regions where the tech boom was the biggest, such as California's Bay Area, which is already reeling from high energy prices. But other areas are taking hits, too, such as New York City's "Silicon Alley" and tech-rich Austin, Texas.

"Being a Manhattan-based company, we were really in the middle of it," Malizio says. "We were getting phone calls from dot-coms all the time. They went from having 20 people to 200 people 3 months later. And all of a sudden, it stopped."

Tech analysts expect the slowdown to continue into late 2002, perhaps 2003, resulting in dozens, if not hundreds, of more Internet shutdowns. Dell Computer CEO Michael Dell said Thursday that he expects more dot-coms to collapse before the computer-technology sector stabilizes.

In telecom, bad debts are expected to continue to mount as an oversupply of network capacity and the slowing economy take their toll. PricewaterhouseCoopers, in a report issued Thursday, said it thinks the rate of bankruptcy filings in some telecom sectors, including mobile wireless, will significantly increase in coming months.

Some losses are not measured in dollars, but in frustration. Former Tess Communications' customer Rosie Schaa, 47, who lives in Mead, Colo., went without a phone for a month after she closed on her new three-bedroom home in April.

She fretted about leaving her 88-year-old mother, who lives with her, without a phone. And a cellphone was too complicated for her mom. But Schaa had no choice. She had to go to work. "That was very difficult," says Schaa, an accountant.

Her story is not lost on Tess Chief Operating Officer Jim Cook, who watched his own dreams crumble when his firm filed for bankruptcy.

Almost 1,000 Tess customers in Arizona and Colorado are being switched to Qwest, the dominant phone company. Some received service right away or within weeks. Others could wait months. The damage could have been worse: Tess had contracts for 38,000 homes. "We inconvenienced them, and we apologize," Cook says.

TEXT WITHIN GRAPHICS BEGINS HERE

Rapid expansion takes its toll

Bankruptcies among Internet service providers and **telecommunications** companies have jumped during the past 18 months:

Public telecom firms filing for bankruptcy:

1993 0 2001 15

Ten largest companies (1) filing for bankruptcy protection in 2001:

(assets in millions)

Winstar Communications	$4,975.4
PSInet	$4,492.3
Viatel	$2,124.0
Teligent	$1,209.5
e.spire Communications	$941.2
Star **Telecommunications**	$630.0
NorthPoint Communications	$479.2
WebLink Wireless	$441.5
Advanced Radio Telecom	$398.1
Pathnet **Telecommunications**	$298.0

1 - Publicly traded companies

Dot-com shutdowns

Shutdowns by month since January 2000.

January 2000 1 May 2001 54

Note: Shutdown date for 2 dot-coms unknown

GRAPHIC, Color, Adrienne Lewis, USA TODAY, Source: Bankruptcy Week (BAR GRAPH); GRAPHIC, B/W, Adrienne Lewis, USA TODAY, Source: Webmergers.com; PHOTO, Color, Ernie Leyba for USA TODAY; Caption: No phones: Since moving in March, Tom Rissi, front, and many of his fellow residents of Jasmine Estates in Brighton, Colo., have no phone service. The phone company that took the bid from the developers went bankrupt.

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Dow Jones Newswires℠

Article 3 of 200

Covad Bankruptcy Latest In Series For DSL Wholesalers

By Dinah Wisenberg Brin

08/07/2001
Dow Jones News Service

PHILADELPHIA -(Dow Jones)- Covad Communications Group Inc. (COVD) on Tuesday became the latest in a string of high-speed Internet data line providers to announce bankruptcy plans.

A combination of the dot-com bust, a slowing economy and what critics deem to be poor business and technology decisions rocked Covad and two bankrupt peers -- all wholesalers of digital subscriber lines. Covad expects to emerge from bankruptcy in a few months, although some observers questioned its chances for survival.

Covad, which sells DSL to Internet service providers and telecommunications companies, said it will file a pre-negotiated Chapter 11 bankrutpcy plan by mid-August. Covad, which competes with regional Baby Bells, said it expects to become debt-free by January.

Last week, another DSL wholesaler, Rhythms NetConnections Inc. (RTHMQ) went into Chapter 11, agreeing to a 10-day window to try to obtain more financing before put its assets up for auction. DSL wholesaler NorthPoint Communications Corp. (NPNTQ) went bankrupt earlier this year, then AT&T Corp. (T) purchased its assets.

Charles Pluckhahn, group head of telecommunications research at Stephens Inc., said Covad, Rhythms and NorthPoint brought on their own problems.

"They used technology that was expensive to deploy and tricky to operate. They made the wrong choices and they should have known better. Everything that happened to them is their own fault," Pluckhahn said. "It always helps in this business, in the telecommunications business, to deploy technology that works."

Besides using the wrong type of DSL technology, the companies fumbled by offering data services only, Pluckhahn said. CLECs, the telecommunications companies that compete with the Baby Bells, must provide voice as well as data, he said.

Venture capitalists who funded the three big DSL wholesalers should have done better due diligence, and would have had the market not been in the midst of an Internet bubble, the analyst said.

"In normal times there would've been many more tough questions asked from the get-go about these people," Pluckhahn said. He never had higher than a neutral rating on Rhythms and NorthPoint before dropping coverage, and didn't cover Covad.

"I would be surprised if Covad were able to stay in business as an independent entity," Pluckhahn said, questioning the company's ability to raise the $200 million cash the company says it needs to raise to become cash-flow positive by late 2003.

Pluckhahn covers DSL .net Inc. (DSLN), which provides DSL -based data services to businesses, and rates it at neutral. Although it's not a wholesaler like Covad, Rythyms and NorthPoint, DSL .net also has a data-only model, "and they face the same performance issues that the other guys faced," he said.

Pluckhahn pointed to two CLECs that he sees as clear winners. Allegiance Telecom Inc. (ALGX) and Choice One Communications Inc. (CWON) both offer voice and data, and employ good technology, he said.

Network Access Solutions Corp. (NASC), a data-only company, sells DSL wholesale, but primarily offers its services to businesses, acording to analyst Vik Grover of Kaufman Bros., who said investors have unfairly "obliterated" both Network Access and DSL .net stock through "guilt by association."

"I think both of these companies, (Network Access) and DSL .net, will make it through the meltdown," Grover said, but "it's obviously a tough sell." He expects to see some mergers in the sector.

Kaufman Bros. analyst Grover has a buy rating on DSL .net, which he said has relatively little debt. He no longer covers Network Access, which focuses its business in the territory service by former Baby Bell Verizon Communications (VZ).

Covad, NorthPoint and Rhythms, as DSL wholesalers, had flawed business models, Grover said. "They positioned themselves terribly," he said, using an unproven and costly technology and losing business when their ISP customers ran into trouble.

But while Rhythms and NorthPoint have fallen by the wayside, Grover saw Covad's Chapter 11 announcement Tuesday as a positive sign that the company is trying to free itself of debt and salvage value for common shareholders.

Crosby Haffner, chairman and chief executive of Zyan Communications, a bankrupt private DSL retailer, said Covad's bankruptcy announcement was expected. He, too, saw it as a good sign. Chapter 11 "will allow them to set aside a large portion of their debt while they attempt to rebuild their business plan," Haffner said.

"I think a lot of people are hoping that Covad will survive" because it's the last national DSL provider competing with the Baby Bells, Haffner said, describing DSL .net, Network Access and two other companies as regional players.

Covad closed Tuesday up 6 cents, or 11.79%, at 56 cents, on volume of 11,900 shares.

-By Dinah Wisenberg Brin, Dow Jones Newswires, 215-656-8285;
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3. If your answer to interrogatory number 1 is "yes," please provide the number of residential access lines in New Jersey for which you are providing telephone exchange service (as defined in section 3(47)(A) of the 1996 Act).

RESPONSE:

Subject to and without waiving the objections set forth above, AT&T responds that it is not providing residential local service in New Jersey.

NP/A-0

In the Matter of the Consultative Report on the Application of Verizon-New Jersey, Inc. for FCC Authorization to Provide In-Region, InterLATA Service in New Jersey

Docket No. TO01090541
From Verizon New Jersey
Witness: WorldCom, Inc.

VNJ-CLEC –3	**If your answer to interrogatory number 1 is "yes," please provide the number of residential access lines in New Jersey for which you are providing telephone exchange service (as defined in section 3(47)(A) of the 1996 Act).**
Response:	WorldCom objects to this interrogatory on the grounds that it is irrelevant, requests competitively sensitive information and is not calculated to lead to the discovery of admissible evidence. Subject to, and without waiving this objection, WorldCom states that it only provides local exchange service only to business customers in New Jersey.

Confidential and Proprietary Information for RCN Telecom Services, Inc. Disclosure made pursuant to terms of Protective Agreement

Question 1. Are you currently providing telephone exchange service in New Jersey (as defined in section 3(47)(A) of the 1996 Act)?

Answer **Yes, resale service only.**

Question 2. If your answer to the previous interrogatory is "yes," please provide the total number of access lines in New Jersey for which you are providing telephone exchange service (as defined in section 3(47)(A) of the 1996 Act).

Answer **1631.**[8]

Question 3. If your answer to interrogatory number 1 is "yes," please provide the number of residential access lines in New Jersey for which you are providing telephone exchange service (as defined in section 3(47)(A) of the 1996 Act).

Answer **1631.**

Question 4. If your answer to interrogatory number 1 is "yes," please provide the number of business access lines in New Jersey for which you are providing telephone exchange service (as defined in section 3(47)(A) of the 1996 Act).

Answer **0.**

Question 5. Have you requested any NXX Codes in New Jersey?

Answer **Yes.**

Question 6. If your answer to the previous interrogatory is "yes," how many NXX Codes have been assigned to you?

Answer **Three codes were assigned to RCN, and all three were returned.**

[8] Data which RCN deems proprietary are replaced by asterisks in the public version of this response. Such data are being supplied to Verizon and to the BPU staff.

COVAD COMMUNICATIONs COMPANY'S RESPONSES TO VERIZON NEW JERSEY, INC.'S FIRST SET OF INTERROGATORIES

1. Are you currently providing telephone exchange service in New Jersey (as defined in section 3(47)(A) of the 1996 Act)?

Response: No.

COVAD COMMUNICATIONs COMPANY'S RESPONSES TO VERIZON NEW JERSEY, INC.'S FIRST SET OF INTERROGATORIES

5. Have you requested any NXX Codes in New Jersey?

Response: No.

Cablevision Lightpath - NJ, Inc. Response
Docket No. TO01090541
Verizon-NJ Interrogatory # 3

REQUEST: If your answer to interrogatory number 1 is "yes," please provide the number of residential access lines in New Jersey for which you are providing telephone exchange service (as defined in section 3(47)(A) of the 1996 Act).

RESPONSE: None.

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